

Message Text

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ACTION COME-00

INFO OCT-01 EUR-25 ADP-00 EB-11 CIAE-00 INR-09 NSAE-00

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 4839

UNCLAS BUCHAREST 0990

FOR COMMERCE

E. O. 11652: N/ A

TAGS: ETRD, BGEN, RO

SUBJECT: SALE OF MECHANICAL FORGING PRESSES TO ROMANIA

REFS: STATE 006507; BUCHAREST 0401

1. MASINEXPORT REPS CALLED EMBOFF TO THEIR OFFICE MARCH 19 TO DISCUSS CURRENT STATUS OF SUBJECT SITUATION. ACCORDING TO MASINEXPORT, ERIE FOUNDRY AND AJAX MANUFACTURING COMPANY OF CLEVELAND, OHIO ARE BOTH STILL IN THE RUNNING FOR SALE OF MECHANICAL FORGING PRESSES TO ROMANIA. IMPRESSION RECEIVED BY EMBOFF IS THAT MASINEXPORT PREFERS U. S. PRODUCT AND WILL AWARD CONTRACT TO U. S. FIRM IF SUITABLE COMPENSATION ARRANGEMENTS CAN BE WORKED OUT.

2. MASINEXPORT SPOKESMEN SAID CONVERSATIONS WITH AJAX WERE PROGRESSING SATISFACTORILY, BUT THEY REQUESTED EMBASSY SUPPORT IN CONVEYING TO ERIE FOUNDRY DETAILS OF GOR CURRENT POSITION ON CONTRACTS. POINT WAS MADE THAT ON BASIS OF ORDERS " FROM ABOVE", NO MORE CONTRACTS WOULD BE AWARDED THAT DID NOT CONTAIN SOME PROVISION FOR BARTER OFFSET. IN CASE OF MECHANICAL FORGING PRESSES, MASINEXPORT INDICATES 25 PER CENT OF CONTRACT VALUE MUST BE OFFSET BY SELLER WITH PURCHASES OF MACHINE TOOL PRODUCTS HANDLED BY MASINEXPORT. PURCHASES NEED NOT BE IMMEDIATE AND CAN BE SPACED OUT OVER 3-4 YEAR PERIOD. MASINEXPORT ALSO HOPES THAT SELLER WOULD BE RECEPTIVE TO PURCHASE OF ADDITIONAL 25 PERCENT OF CONTRACT

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VALUE IN MACHINERY MANUFACTURED BY OTHER PRODUCING UNITS UNDER JURISDICTION OF MINISTRY OF MACHINE TOOLS AND ELECTRONICS. SECOND INCREMENT, HOWEVER, IS NOT REQUIRED AS SINE QUA NON FOR CONTRACT. MASINEXPORT REPS INDICATED THAT TO DATE, ERIE FOUNDRY HAD REJECTED ANY TYPE TASDARTER OFFSET ARRANGEMENTS.

3. COMMENT: WE TOLD MASINEXPORT SPOKESMEN THAT WE WOULD CONVEY THEIR POSITION TO ERIE FOUNDRY BUT THAT COMPANY POLICY AGAINST OFFSET SALES COULD WELL BE FIRM ONE. ON OTHER HAND, IT MAY BE USEFUL TO INFORM ERIE FOUNDRY THAT GIVEN PRESENT SHORTAGE OF HARD CURRENCY FOR FOREIGN PURCHASES, BALANCE OF PAYMENT PROBLEMS, AND OTHER FINANCIAL OBLIGATIONS EMANATING FROM EXISTING HARD CURRENCY DEBTS TO WESTERN COUNTRIES, GOR POSITION ON CASE PURCHASES HAS BEEN HARDENING, AND CONDITIONS DESCRIBED BY MASINESPORT FOR APPROVAL OF CONTRACT MAY WELL BE FIRM. POLICY DESCRIBED BY MASINEXPORT OFFICIALS, HOWEVER, IF INDEED IT IS FIRM POLICY AND NOT SIMPLY BARGAINING POSITION, APPARENTLY APPLIES ONLY TO THAT FOREIGN TRADE ORGANIZATION, SINCE SEVERAL OTHER SALES HAVE BEEN MADE RECENTLY TO OTHER GOR IMPORT ORGANIZATIONS ON CASH BASIS. NEVERTHELESS, IT IS INDICATIVE OF GRADUAL MOVE IN RECENT MONTHS TOWARD GREATER EMPHASIS ON BARTER PAYMENT TT CONSERVE CONVERTIBLE CURRENCY. THUS IS ERIE FOUNDRY STILL INTERESTED IN PURSUING CONTRACT, IT MAY BE NECESSARY TO MAKE SOME CONCESSIONS IN BARTER OFFSET AREA.
MEEKER

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